Business Case

Project Name: Financial Management System (FMS)

Channel: Chief Financial Officer

Project Sponsor: Jim Lynch

Project Lead: Paul Stonner

Project Description

This document describes the business case for the Student Financial Assistance (SFA) Financial Management System (FMS) initiative. The SFA FMS consists of four Phases designed to establish incremental benefit, mitigate risk and satisfy JFMIP, PBO and Blueprint requirements. While the SFA FMS will be described in its entirety, the cost section of this document encompasses the expected outlays for FY 2001 in order to meet our commitment of completion by September 2001.

The Higher Education Act as Amended in 1998 created a Performance Based Organization (PBO) for the Office of Student Financial Assistance (SFA) within the Department of Education (ED). This legislation provided SFA with the authority to be responsible for a financial management system to support its program and administration funds. Unlike best of business organizations, SFA currently does not have an integrated financial management system from which it can provide timely, accurate financial information about all its program obligations, commitments and expenditures to its managers and employees and outside stakeholders. One of the three interim objectives of the PBO is to reduce the overall cost of delivering student aid. An indicator of success and a necessary method of measuring this objective is the design of a subsidiary-style financial management system that supports SFA, is JFMIP compliant; is appropriately linked to the Department's financial management system, and is at a level that is consistent with the SFA Modernization Blueprint (by April 7, 2000).

The SFA "Modernization Blueprint" describes the business requirements, business and technical architecture, and sequencing plan that SFA will use to transform SFA within the next 2 to 3 years using leading edge technology. These elements provide the focus, framework, and actions to make the SFA vision a reality. The Blueprint provides a high-level overview of a shared vision and plans for moving the financial aid system into the next century. Included in the Blueprint is the recognized need for an SFA Financial Management System.

What is the purpose of the initiative?

A key business requirement of the financial management function within the modernization document is an integrated financial management system that manages the flow of financial and/or financial-related information across all of SFA's information systems. In order to perform new PBO specific financial management functions mandated by statute, SFA will need its own "best in business" integrated financial management system.

Conceptually, the SFA FMS will incorporate Financial Management users, systems, data and processes into useful, accurate, and timely information to be utilized across all SFA channels and stakeholders.

A consolidated financial management system for SFA will provide SFA with the ability to financially report information and statistics across Programs, consolidate redundant processes, manage cash and

funding activities, and provide the ability to report to Congress and other outside organizations summary and detailed accounting on SFA grant, loan, and operational activity.

In order to overcome some of the inherent complexities and dependencies, from both a systems and organizational view, SFA has established a Phased approach for implementing its new Financial Management System. Each phase will establish additional incremental benefit, will be built on prior phase success, and will move SFA towards its shared FMS vision.

What is the scope of the initiative, including what it is not?

Overall, SFA takes the approach that the SFA FMS will be implemented in phases. This phasing approach will enable SFA to achieve measurable success in short, manageable amounts of time. Also, implementing FMS in phases mitigates risk by approaching each development task in the same short, manageable time segment with definable and controllable milestones. The proposed timeline for the phases is depicted below.

Phase I

Phase I was completed on April 14, 2000. During this phase SFA developed the design of the completed FMS and defined many of the core configuration values for FMS. Phase 1 demonstrated the Oracle Federal Financials application as delivered without program changes, but with the core SFA configuration and setup data input.

Phase II

Phase II was operational September 29, 2000. The goal of this phase of the SFA FMS effort was to install and configure the Oracle Federal Financials packaged software product at the Virtual Data Center (VDC), which is now the basis for SFA FMS operation. The purpose of Phase II was to establish the General Ledger chart of accounts setup and account code classification structure. This was necessary to verify the conceptual design and provide the foundation for moving forward with the detailed design and build of the system. Phase II included core accounting (General Ledger, Accounts Receivable, Accounts Payable) for two programs:

- FFEL – GA Payments
- LLEAP
- and Fixed Asset management for information technology assets tracking.

The second phase demonstrated the value of FMS (i.e. a quick hit) by supporting these three subsystems. These programs were chosen because they are relatively small, self-contained subsystems with low volume transactions that could be implemented with minimal disruption to current processes and while demonstrating the value of the FMS financial applications (General Ledger, Accounts Payable, Accounts Receivable, and Fixed Assets).

Phase III

Phase III planning began on June 1, 2000. It will be fully implemented by September 30, 2001. This phase will incorporate core accounting (GL, AP, AR, FA), for each of the remaining loan and grant programs and processes (Direct Loan, Campus Based, Pell, Lender Payments and Debt Collection Services). Phase III will enable SFA to produce financial statements and other important management information and statistics for these programs beginning with FY 2002. During the period between June 1, 2000 and September 30, 2001, the Channels will be working concurrently on efforts to reengineer or replace many legacy systems. In order to create a fully operational SFA FMS by this timeframe, it is assumed that

where legacy systems exist (e.g. those systems not reengineered) they will be interfaced into SFA FMS, while reengineered systems will be fully and directly integrated into the SFA FMS where practical. The FMS schedule will be coordinated with other system's schedules to include as many reengineered or replaced systems as possible. The FMS schedule will also be closely coordinated with the implementation activities of EDCFO. The following table highlights the planned development activities for FMS Phase III.

Program	Development Work	Responsible Org.	Timing
Interim Payment Process	Interface to GAPS from FMS for obligate and pay data for JIT payments	FMS	July 2001
	Interface to GAPS from FMS for obligations/awards/CCA's	FMS	July 2001
	Interface from GAPS to FMS for payment transmittal acknowledgement or returns data	FMS	July 2001
	Interface between GAPS and FMS (both ways) for vendor file updates	FMS/ED	July 2001
	Disable or modify GAPS functions for SFA transactions (e.g., feed to FMSS, etc.)	ED	July 2001
Web-based Drawdown	Web-based drawdown request form	FMS	Future
	Interface from Web-based drawdown request form to FMS	FMS	Future
	Interface to GAPS from FMS for payment transmittal data	FMS	Future
	Interfaces between GAPS, drawdown system and FMS (both ways) for vendor file updates	FMS/ED	Future
	Disable GAPS functions for SFA transactions (e.g., feed to FMSS, drawdown capabilities for Title IV monies, etc.)	ED	Future
	Interfaces to/from web-based drawdown and Campus Based feeder system	School Channel	Future
	Interface from web-based drawdown to LO	School Channel	Future
	Interfaces to/from web-based drawdown and Pell RFMS	School Channel	Future
	Interfaces to/from web-based drawdown and LEAPP/SLEAPP	FP	Future
Campus Based	Web-based application form (FISAP), and Distribution Form (EDExpress)	School Channel	August 2001
	New Campus Based system (replace UAL) Automated award process	School Channel	August 2001
	Interface award data from School Channel feeder system to FMS	FMS	July 2001
	Interface teacher cancellation and other data from School Channel feeder system to FMS	FMS	July 2001
	Convert program specific accounting data from ED CFO	FMS	July 2001
	Interface between school channel feeder system and FMS for vendor information	FMS	July 2001
	FMS Reports as defined during Design Stage	FMS	July 2001 and after

Program	Development Work	Responsible Org.	Timing
Debt Collection Service	Analyze SFA Oracle account code structure to develop codes to be used for DCS TIR and FIR.	FMS	August 2001
	Convert DCS TIR and FIR to SFA Oracle account code structure	Raytheon	August 2001
	Interface from DCS to FMS for transaction data, including modifications as need to account mapping	FMS / Raytheon	August 2001
	Interface from DCS for vendor information	FMS / Raytheon	August 2001
	Conversion of accounting data from ED CFO	FMS	August 2001
	FMS Reports as defined during design stage	FMS	August 2001
Direct Loan Origination	Interface from School Channel to FMS for authorization data (similar to current CCA's)	FMS	July 2001
	Interface from LO to FMS for vendor information	FMS	July 2001
	Interface from LO to FMS for unbooked loan data	FMS	July 2001
	Conversion of program specific accounting data from ED CFO	FMS	July 2001
	FMS reports as defined during design stage	FMS	July 2001
Direct Loan Servicing	Interface from LS to FMS for summarized transaction data (for LO, LS and LC)	FMS	July 2001
	Turn off / disable current LS / FARS to ieFARS feed	School Channel	July 2001
	Interface from FMS to LS	FMS	July 2001
	Conversion of program specific accounting data from ED CFO	FMS	July 2001
	FMS reports as defined during design stage	FMS	July 2001
Direct Loan Consolidation	Interface from Consolidation to FMS for transactions	FMS	July 2001
(still under analysis)	Interface from Consolidation to FMS for vendor information	FMS	July 2001
	Conversion of program specific accounting data from ED CFO	FMS	July 2001
	FMS reports as defined during design stage	FMS	July 2001
FFEL Lenders	Interface to / from Raytheon for translation of transactions into SFA ACCS format	FMS	August 2001
	FMS reports as defined during design stage	FMS	August 2001
	Conversion of program specific accounting data from ED CFO	FMS	August 2001
LEAPP / SLEAPP	Web-based application form	FMS	April 2001
	Automated award process, including conversion of historical data as needed	FP	June 2001
	Interface award data from automated award process to FMS	FMS	July 2001
	Program performance report(web-based)	FMS	July 2001
	FMS reports as defined during design stage	FMS	July 2001 and after

Program	Development Work	Responsible Org.	Timing
PELL	Interface from RFMS to FMS for award information	FMS	July 2001
	Interface from RFMS to FMS for Transaction information	FMS	July 2001
	Interface from RFMS to FMS for vendor updates	FMS	July 2001
	Conversion of program specific accounting data from ED CFO	FMS	July 2001
	FMS reports as defined during design stage	FMS	July 2001 and after

Phase IV

Phase IV, referred to as the "to-be" SFA FMS phase, encompasses an integrated design incorporating information and processes from all SFA reengineered subsystems (e.g. Origination and Disbursement, Servicing, and Collections) and SFA operations. While Phase IV will be a fully functional and integrated SFA FMS, it is envisioned to be the "end-state" of the SFA FMS project. At this point the SFA FMS will mature into an operational system and future efforts may be focused on adding additional functionality.

Phase IV will yield the SFA FMS subsystem in its fully integrated state. At this point in the implementation life cycle, the design will integrate with reengineered source systems to create a fully operational SFA FMS which includes all major functions supporting both Programs and SFA Operations activities. Since reengineered system information is not available at this time, this document will primarily be defining the SFA FMS system requirements, which must be met in order to support a fully integrated SFA FMS system. Phase IV is much more dependent on other IPT initiatives than the earlier phases.

What is the start date and end date of the initiative?

Phase III is being proposed for FY 2001, i.e., the implementation of core accounting functions for the remaining SFA programs.

What other business areas/external groups are affected by the implementation of this initiative and how are they affected?

The SFA FMS system will affect external groups or systems in Phases III and IV of the project. Interfaces to FMS will be built to exchange information between SFA FMS and other subsystems. There will be changes to business processes as a result of SFA FMS Phase III implementation. Since there are many initiatives currently underway to reengineer supporting subsystems, it is difficult to identify exactly which external systems, functionality, and processes will be affected in Phase IV.

What systems are impacted by the implementation of this initiative and how are they impacted?

The following systems are impacted by this initiative:

- RFMS – replace subledger functionality with SFA FMS
- DL FARS and related feeder systems (LO / LC / DLSS / etc.)– replace subledger functionality with SFA FMS
- GAPS – incorporate drawdown request data and funds checking in SFA FMS (Direct Loan, Pell, Campus Based and LEAPP / SLEAPP Systems will be affected)

- EDFMSS – will receive GL summary data from SFA FMS
- Campus Based System – will need interface with SFA FMS
- DMCS – modify subledger functionality for SFA FMS accounting structure and interface to SFA FMS

What business processes are impacted by the implementation of this initiative and how are they impacted?

The SFA FMS will impact the following business processes:

- The FFEL Funding/Expenditure Allocation (Splitter)
- Budget Execution
- Financial Reporting

The functions noted will be performed by SFA rather than ED/CFO.

Accounting related business processes in each of the program areas will be impacted; there will need to be a closer working relationship with SFA CFO Accounting and the program areas.

Technologies Used

List the proposed technologies that will be used to implement this project

Name/type	Proposed use	Has technology been used at SFA before? Where?	Does Technology fit SFA's Architecture Standard? Explain.	Does SFA have the technical expertise to implement this technology? Why?
Oracle Federal Financials and Applicable Tools	SFA Financial Management	Yes – Phase II (proof of concept)	Yes, the technology used was approved by the Enterprise IT Management team.	Yes, with contractor support.
Enterprise Application Interface (EAI) Platforms and Tools	Enterprise - level system application integration, messaging, data formatting and transformation, and workflow	No	Yes. The product is designed to integrate with a variety of operating systems and third party products.	Yes, with contractor support.

Benefits

FMS supports SFA's Performance Based Organization (PBO) objectives of Cost Reduction, Employee Satisfaction, and Customer Satisfaction. FMS will provide the following:

Reduce the overall unit cost of Delivering Student Aid:

- Provide new integrated system that will replace financial management systems currently residing in legacy program systems. As seen in the Phase II implementation of the initial GA Forms 2000, this will result in the reduction of contract and FTE needs in other Channels as more of the work that is done is performed through the use of the COTS product and reengineered work processes.
- Provide effective funds management and budget controls
- Provide sufficient level of data for strategic decision making
- Provide cost and performance-based information
- Provide better integrity and internal controls over costs and program funds in the delivery system

Improve Employee Satisfaction:

- Provide timely information retrieval and reporting to meet business needs
- Enable employees to make accurate decisions with complete and timely information
- Provide employees with better tools and training which will increase their accuracy and efficiency by reducing manual, paper-based work efforts

Improve Customer Service:

- Improve response time to financial information by providing a single source of current, on-line, accurate data
- Provide access to program data

Reduce Unit Cost

Quantified Benefit ($)	How will benefit be measured/realized?	When will benefit be realized?
FMS will provide a new integrated system that will replace several financial management modules/systems currently residing in legacy program systems, which should result in a reduction of duplication of efforts under several contracts. As seen in the Phase II implementation of the initial GA Forms 2000, this will result in the reduction of contract and FTE needs in other Channels for funding/accounting/and reconciliation processes as more of the work is performed through the use of the COTS product and reengineered work processes.	Baselining current costs and related activities and comparing/measuring actual costs for new system and related activities to support it. It is expected that substantial reductions in contract and personnel costs will be achieved through the implementation and consolidation of the financial management functionality of the various program systems to the FMS COTS package. Financial Partners expects that most, if not all, of the functionality currently in the FFEL subsystems that are currently supporting the GA and lender payment processes will be transferred to the FMS COTS, particularly after they have reengineered their reporting processes and vehicles. These subsystems currently cost approximately $7.5 million a year to operate and maintain, and have	Immediately upon Phase III rollout.

	many SFA personnel supporting them. These SFA personnel can be deployed to meet other needs of Financial Partners or the PBO as a whole.	
Provide effective funds management and budget controls.		
Provide better integrity and internal controls over costs and program funds in the delivery system.		
Provide cost and performance-based information.		
Provide sufficient level of data for strategic decision making		
Assumptions		
Cost savings will be increased by maximizing the use of Oracle Federal Financials built-in best practices and minimizing custom modifications to the system. - GAPS will continue to be used for payments - SFA Oracle GL to ED/CFO Oracle GL interface is part of Phase III - PELL will be incorporated into baseline Oracle - FARS will be retired, assuring that the requirements/functionality necessary for the Student Channel operations and other users continues to exist - Training development and implementation are not included. SFA University will provide leadership and support with coordination and input from the Channels - SFA funding and approval will be received within the projected timeframes - Other systems interfaced will provide the necessary technical information and access as required for interface design, development, and testing - Data conversion will include beginning balances only		

Increase Customer Satisfaction

Quantified/Qualitative Benefit	How will benefit be measured/realized?	When will benefit be realized?
Improve response time to financial information by providing a single source of current, on-line, accurate data.	Ratings on Customer Satisfaction Surveys. Elimination of complaint calls seeking clarification due to data inconsistency.	Immediately upon Phase III rollout.
Assumptions		

Increase Employee Satisfaction

Quantified/Qualitative Benefit	How will benefit be measured/realized?	When will benefit be realized?
Provide timely information retrieval and reporting to meet business needs.	From employee feedback.	Immediately upon Phase III rollout.
Enable employees to make accurate decisions with complete and timely information.	From employee feedback.	Immediately upon Phase III rollout.
Provide employees with better tools and training which will increase their accuracy and efficiency by reducing manual, paper-based work efforts.	From employee feedback.	Immediately upon Phase III rollout.
Assumptions		

Estimated overall dollar amount of all benefits listed above.

Quantified Benefits					
BY	**BY+1**	**BY+2**	**BY+3**	**BY+4**	**Total**
4,000,000	**15,000,000**	**15,000,000**	**15,000,000**	**15,000,000**	**64,000,000**
Assumptions					
With the implementation of FMS it is assumed that there will be savings related to reduced duplication, inefficient interactions between customers and employees, rework required by employee, etc. FMS will provide much of the financial data and performance-based information necessary to measure the costs and savings on a go-forward basis. $4 million in benefits for Base Year (BY) are based on realizing approximately 50% of anticipated FFEL GA and Lender savings. Subsequent years are calculated based on achieving 100% of FFEL GA and Lender savings ($7.5 million), and figuring conservatively, at least another $7.5 million associated with the retirement of the FARS subledger. FARS operations and maintenance costs currently run at approximately $17.5 million a year. A separate business case will be prepared to address the retirement approach, and full savings associated with FARS.					

Costs

Provide costs, including those to implement the initiative and the costs to support it over its useful life.

COSTS						
	BY	**BY+1**	**BY+2**	**BY+3**	**BY+4**	**Total**
Development	**10,904,000***					**10,904,000**
Operations						
Prod. Proc						
Key Pers.						
Ad Hoc						
Sys. Maint.		**2,000,000****	**2,000,000**	**2,000,000**	**2,000,000**	**8,000,000**
Telecom.						
Data Center	**2,000,000**	**2,000,000**	**2,000,000**	**2,000,000**	**2,000,000**	**10,000,000**
Sub. Ops						
Licenses	***					
Total	**12,904,000**	**4,000,000**	**4,000,000**	**4,000,000**	**4,000,000**	**28,904,000**

Assumptions

* Development Total of $10,904,000 is comprised of the following components:

Program Development Details:

Interim Payment Process	$1,413,000
Campus Based	$963,000
Debt Collection Service	$1,495,000
Direct Loan Origination	$886,000
Direct Loan Servicing	$783,000
Direct Loan Consolidation	$938,000
FFEL Lenders	$773,000
LEAPP / SLEAPP	$706,000
PELL	$963,000
	$8,920,000

Training Development Details:

Interim Payment Process	$261,000
Campus Based	$114,000
Debt Collection Service	$179,000
Direct Loan	$359,000
FFEL Lenders	$154,000
LEAPP / SLEAPP	$261,000
PELL	$147,000
Process Re-engineering	$359,000
Oracle Vendor Training	$150,000
	$1,984,000

Approximately, $450,000 in Quality Control (QC) support costs are being funded using prior year funds.

** Operations and Maintenance costs estimated at approximately 20% of development costs.

*** Oracle licenses will be addressed on an Enterprise-wide basis.

All development for all programs will be done jointly with Channels.

Total Cost of Ownership

What is the level of required enhancement after implementation?

Periodic system upgrades will be required to meet changing legislative requirements and product updates. Product updates are typically issued on a yearly basis, with maintenance patches issued on an as required basis.

What is the life span of this initiative?

Financial Management Systems typically have life spans of at least 5 years, with many in excess of 10+ years.

Alternatives

Discuss what could be done in place in this initiative and describe the consequences of each alternative.

Alternative	Consequence
Remain as-is	Failure to implement FMS Phase III will dramatically reduce planned financial and budget controls envisioned for SFA, thereby impacting PBO success. Would have to rely on the Department's financial management systems and processes which in the past have not been able to accommodate SFA's program specific needs and timelines for change.
Non-technology solution	Technology investment has occurred, failure to implement Phase III would greatly reduce effectiveness of that investment.
Enhance an existing system	Much of the FMS functionality does not currently exist, or is a component of legacy system that is not easily updated. Would have to rely on the Department's financial management systems and processes which in the past have not been able to accommodate SFA's program specific needs and timelines for change.
Implement on a smaller scale	Phase III implementation could be phased in over a longer period of time, but the benefits would be realized more slowly.
Other	

Risks

Risk	Description of Risk	Mitigation Strategy
Financial	Cost overruns due to rework; expanding scope; delay in receiving approval of deliverables, resolution of issues, and establishment of technical environments	Develop / use existing standards; maintain close coordination between the project team and those responsible for approvals and resolutions; provide sufficient lead time for CIO IT Services and the VDC.
Technology	Relatively new technology for SFA	Apply 'lessons learned' from Phase II implementation, and other development initiatives; use experts from Modernization Partner and vendor personnel.
Scope	'scope creep'	Specifically identify requirements that will be supported – all extensions to this will be considered enhancements which will require a modification to the existing Task Order or will require another Task Order
Management	Lack of resources within SFA; Lack of SME sufficient to provide intricate details on process and dependencies; Inadequate existing contractor support due to contract demise or realignment.	Leverage Modernization Partner resources to manage the project; work closely with eCAD technology Product Management Teams and the SFA Project Lead (or designee) to resolve issues
Exposure	External access to more information contained within SFA may expose some inaccuracies contained within systems	Acknowledge the potential for the inaccuracy and enable SFA to determine appropriate strategies for corrective action. The Channel needs to be responsible for content that they provide. Arbitration of data integrity should exist at a level exclusive of specific channel direction to ensure impartiality.

Acquisition Strategy

Sources (Indicate the prospective sources of supplies or services that can meet the need of this project. List the most likely offerors for the requirement, and / or the manufacturer and model of the equipment that will most likely be offered).

Modernization Partner will supply dedicated project team personnel to assist SFA in the implementation of this project.

Competition (Describe how competition will be sought, promoted, and sustained throughout the course of the acquisition, including any performance requirements that will be required).

This a project for Modernization Partner. Outside competition will not be sought.

Contract Considerations (For each contract contemplated, discuss contract type selection; use of multiyear contracting, options, or other special contracting methods, ex: performance-based).

The Modernization contract will be firm fixed price.

Schedule/Milestones (including acquisition cycle)

#	Milestone	Start Date	End Date
1	FMS Phase III :		
2	Interim Payment Process	11/01/00	07/01/01
3	Campus Based	11/01/00	07/01/01
4	Debt Collection Service	11/01/00	08/01/01
5	Direct Loan Origination	11/01/00	07/01/01
6	Direct Loan Servicing	11/01/00	07/01/01
7	Direct Loan Consolidation	11/01/00	07/01/01
8	FFEL Lenders (Interim)	11/01/00	08/01/01
10	LEAPP/SLEAPP	11/01/00	07/01/01
11	PELL	11/01/00	08/01/01
12	Web-based Drawdown	11/01/01	10/31/01